

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 001352

SIPDIS

STATE FOR EUR/NB

E.O. 12958: DECL: 10/28/2014

TAGS: [PGOV](#) [PREL](#) [LH](#)

SUBJECT: THE END OF THE RAINBOW: COALITION TALKS WITH
CONSERVATIVES COLLAPSE

REF: VILNIUS 1323

Classified By: Pol/Econ Officer Christian Yarnell
for Reasons 1.4 (b) and (d)

1. (C) SUMMARY: The Conservative Party suspended formal talks with the Brazauskas-Paulauskas coalition on October 28, following major disagreement over the constitution of a so-called "rainbow coalition." Immediately following the collapse of talks, the Brazauskas-Paulauskas coalition formally agreed to begin negotiations with the upstart Labor Party led by Russian-born millionaire Viktor Uspaskich. The Labor Party has said it will accept PM Brazauskas's and Parliamentary Chairman Paulauskas's remaining in their respective positions, although Uspaskich hopes to get more key posts in Parliament as compensation. A coalition of the Social Democratic, New Union, Labor, and Peasant parties would have a solid majority of 84 MPs in the 141-seat Parliament, and would leave President Adamkus little choice but to endorse its proposed Cabinet. Detailed negotiations will continue well into next week, however. Brazauskas has signaled to the Labor Party that, if his demands are not met, he could form a minority Cabinet among the Social Democrats, New Union, and Liberal Center, and the Conservatives have said they would throw their needed support behind this minority Cabinet. Brazauskas is driving a hard bargain, but we expect him to form a coalition government with Labor before the end of next week. END SUMMARY.

Conservatives and Liberals Back Out of Talks

2. (U) "Rainbow" coalition negotiations between the center-left Brazauskas-Paulauskas alliance (Social Democratic and New Union Parties) and the center-right bloc of Conservatives and Liberal Centrists, launched following October 24 elections (ref A), have all but collapsed. The ideological adversaries -- Conservatives as successors of the independence movement Sajudis and Social Democrats as Communist Party offspring -- failed to bridge their differences and agree on a sharing of power. The Conservatives (25 seats in Parliament) rejected demands by the Social Democrats (20 seats) for the top leadership positions in the government and key ministerial posts. The Social Democrats, in turn, dismissed the Conservative compromise proposal of a two-year rotation of the top government spots. The crisis came to a head when Brazauskas's party signed an agreement on October 28 to launch formal negotiations with the Labor Party. Conservative leader Andrius Kubilius responded by suspending talks on the "rainbow" coalition. The Liberal Center joined with the Conservatives and refused an invitation to join in talks with Labor.

Labor Party Eager for Coalition

3. (U) The Labor Party (39 Parliamentary seats), meanwhile, has already declared that it considers PM Brazauskas and Parliamentary Speaker Paulauskas acceptable candidates to remain in their current leadership posts. Uspaskich has limited his appetite to six ministerial portfolios (of lower importance) and complimented the current Brazauskas-Paulauskas Cabinet for implementing a program similar to his own. Brazauskas cautioned that there was more to negotiate, however, noting that he could still form a minority Cabinet comprised of Social Democrats, New Union, and the Liberal Center if necessary. The Conservatives indicated on October 29 a willingness to support such a minority Cabinet, bolstering Brazauskas's bargaining position vis-a-vis Labor.

Negotiation Details

4. (U) Social Democrats demand for themselves the post of PM for Brazauskas and seven ministries (out of 13 total) that would administer the bulk of EU funds: Finance, Transportation, Environment, Economy, Agriculture, and Social Security and Labor. A majority of portfolios in the Cabinet

would not only enable PM Brazauskas to steer policy, but would also enable him to continue on uninterrupted as PM. (Note: According to Lithuanian law, the PM must step down if more than half of the Cabinet ministers change.) The New Union wants for itself the posts of Parliamentary Chairman and Ministers of Foreign Affairs and Education. Uspaskich has said that Labor could accept as few as six Cabinet positions, as long as it received the lion's share of committee chair posts in Parliament as compensation. Peasant Party leader Prunskiene is battling for control of the Ministry of Agriculture, but, according to media reports, is unlikely to assume the post herself.

15. (U) A Brazauskas-Paulauskas-Uspaskich-Prunskiene (Social Democrats, New Union, Labor, and Peasants) coalition, including a few independents, would have a solid majority of 84 MPs in the 141-seat Parliament. Talks on the division of portfolios, personalities, and Cabinet program will continue well into next week, but President Adamkus would have little choice but to endorse the Cabinet of this coalition.

Comment

16. (C) Brazauskas has played hardball throughout the post-election negotiations, even though his Social Democratic Party finished third in the elections with only 20 of 141 Parliamentary seats. Yet the Brazauskas-Paulauskas coalition remains the only partner acceptable to all sides, and electoral math dictates that Brazauskas be included in the next government. His flirtation with the right succeeded in frightening Labor, which is desperate to be included in the government following a very expensive campaign with high expectations of success. Uspaskich's willingness to allow Brazauskas and Paulauskas to remain on as PM and Parliamentary Chairman, respectively, removes the most severe obstacle to a coalition agreement. We expect the Social Democrats, New Union, Labor, and Peasants to announce the formation of a coalition government headed by PM Brazauskas by the end of next week, although a minority Cabinet excluding Labor remains a remote possibility.

MULL